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April 2, 1997

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, DC 20554

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Office of Secretary

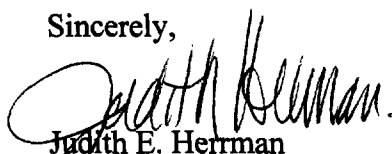
RE: Notification of Oral Ex Parte Communication: Access Charge Reform
CC Docket No. 96-262

Dear Mr. Caton:

Today, on April 2, 1997, Teresa Marrero, Senior Regulatory Counsel, and Judith Herrman, Manager-Federal Regulatory Affairs, met with Jeff Lanning of the Office of General Counsel - Competition Division regarding Teleport Communications Group's recommendations for access charge reform. The attached document was used as an outline of the discussion; thus, these pages should not be counted toward the ex parte page limit for this proceeding. An original and one copy of this letter are being submitted in accordance with Sec. 1.1206(a)(b) of the Commission's rules.

Thank you very much for your assistance in this matter.

Sincerely,



Judith E. Herrman
Manager, Federal Regulatory Affairs

cc: Jeff Lanning

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FUNDAMENTAL PRINCIPLES OF SWITCHED ACCESS REFORM

- **SWITCHED ACCESS REFORM PROVIDES THE FCC A UNIQUE OPPORTUNITY TO DIRECT THE COURSE OF LOCAL EXCHANGE COMPETITION**
 - **SWITCHED ACCESS (PARTICULARLY TANDEM SERVICES) CAN BE THE CATALYST (I.E., "ANCHOR TENANT") FOR FACILITIES-BASED LOCAL EXCHANGE COMPETITION IN THE SAME WAY THAT SPECIAL ACCESS WAS THE CATALYTIC "ANCHOR TENANT" FOR LOCAL PRIVATE LINE AND SPECIAL SERVICES COMPETITION**
- **FCC'S CURRENT RULES ASSUME A MONOPOLY LOCAL EXCHANGE MARKET AND – PROBABLY UNINTENTIONALLY – REINFORCE THE ILEC MONOPOLY AND DISCOURAGE EFFICIENT COMPETITION BY CLECS**
 - **RIC AND "VIRTUAL ROUTING" OF TRANSPORT PREVENTS DEVELOPMENT OF COMPETITIVE TANDEM SERVICES THAT WOULD, THROUGH COMPETITION (NOT PRESCRIPTION):**
 - **CREATE THE "ANCHOR TENANT" FOR COMPETITIVE LOCAL EXCHANGE SERVICES, PARTICULARLY FOR SMALLER MARKETS.**
 - **LEAD TO REDUCTIONS IN IXCS' OVERALL ACCESS COSTS AND CONSEQUENT LOWER LONG DISTANCE RATES.**
 - **PROTECT THE SMALLER IXCS THAT CANNOT JUSTIFY DIRECT END OFFICE CONNECTIONS.**
- **THE COMMISSION SHOULD:**
 - **MINIMALLY, ELIMINATE THE MONOPOLY-ERA POLICIES WHICH HAVE DISCOURAGED SWITCHED ACCESS COMPETITION**
 - **STRENGTHEN THE CATALYST: SUBJECT ILEC COSTS TO COMPETITION WHEREVER POSSIBLE**
 - **ONLY PRESCRIBE RATES IN MARKET AREAS AND FOR RATE ELEMENTS WHERE COMPETITION FAILS OR IS NOT LIKELY TO DEVELOP**

RESIDUAL INTERCONNECTION CHARGE

**ELIMINATING THE UNNECESSARY AND ANTICOMPETITIVE
RESIDUAL INTERCONNECTION CHARGE (RIC) WILL HAVE A CATALYTIC
EFFECT ON THE DEVELOPMENT OF TANDEM COMPETITION
WHICH, IN TURN, CREATES THE BASIS FOR FACILITIES-BASED
LOCAL EXCHANGE COMPETITION**

- **COMPETITION WILL REFORM TANDEM RATES QUICKLY AND EFFICIENTLY IF ILEC RATES ARE NOT ARTIFICIALLY SKEWED**
- **RIC CHARGES ARE INAPPROPRIATELY ASSOCIATED WITH END OFFICE**
- **COMPTEL DECISION MANDATES THAT THE PORTION OF THE RIC ASSOCIATED WITH THE TANDEM MUST BE REALLOCATED TO TANDEM SWITCHING RATES**
- **OTHER IDENTIFIABLE PORTIONS OF THE RIC SHOULD BE REASSIGNED TO:**
 - **TANDEM TRANSPORT**
 - **ELEMENTS SPECIFICALLY ADDRESSABLE BY COMPETITION**
- **REMAINING RESIDUAL COSTS, NOT READILY IDENTIFIABLE, SHOULD BE APPORTIONED USING A BROADLY BASED UNIFORM SURCHARGE ON ALL TRANSPORT SERVICES**
- ***IF THE RIC CONTINUES TO BE INAPPROPRIATELY ASSIGNED TO THE END OFFICE, THEN AS THE COLORADO COMMISSION HAS MANDATED, ILECS SHOULD NOT BE ALLOWED TO COLLECT THE RIC CHARGES FROM FACILITIES-BASED CLECS THAT PROVIDE THEIR OWN SWITCHED ACCESS TRANSPORT FACILITIES***

TANDEM TRANSPORT

**TO ACCURATELY RELATE SWITCHED ACCESS
RATES WITH ASSOCIATED COSTS, THE COMMISSION MUST
ELIMINATE THE OPTION TO RATE TANDEM TRANSPORT
AS IF ONLY COMMON TRANSPORT IS UTILIZED**

- **TANDEM TRANSPORT CONSISTS OF TWO DISTINCT TRANSPORT FACILITIES – ONE DEDICATED – FROM THE SERVING WIRE CENTER TO THE TANDEM SWITCH; THE OTHER COMMON – FROM THE TANDEM TO EO SWITCH; EACH SHOULD BE PRICED AS SUCH.**
- **SMALL IXCS WILL NOT BE HARMED BY A BIFURCATED PRICING MECHANISM BECAUSE OTHER COMMISSION PROPOSALS TO FLAT RATE NON-TRAFFIC SENSITIVE SWITCHING COSTS -- I.E. PORTS -- WILL OFFER A NATURAL, COMPETITIVE REPLACEMENT TO THE HISTORIC POLICY ALLOWING SMALL IXCS THE OPTION TO REDUCE THEIR TRANSPORT COSTS**
- **A BIFURCATED PRICING MECHANISM BALANCES THE INTERESTS OF FULLY DEVELOPING SWITCHED ACCESS COMPETITION FOR ALL SWITCHED ACCESS ELEMENTS WITH THE INTERESTS OF FOSTERING LONG DISTANCE COMPETITION**